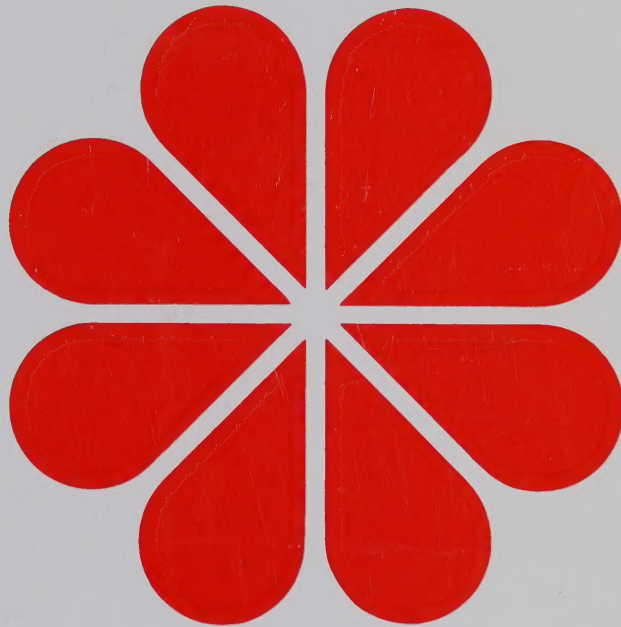


Annual Report

Year ended April 30, 1980



File

Becker's

**FRESH &
READY
FOODS**

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Beck's Pop centre

- grape
- lemon lime
- orange
- cream soda
- root beer
- strawberry

Beck's

Beck's

Beck's

Beck's

It's the real thing.

It's the real thing. Coke.

family pack
Coke
the real thing. Coke.

Beck's

Beck's

Beck's

NO SMOKING

Hostess

NEW

Beck's

Beck's

Beck's

Beck's

Highlights of the year

Year Ended April 30

	1980	1979	Percentage Change
Sales	173,953,370	152,885,173	+ 13.8
Operating earnings	11,169,922	7,163,250	+ 55.9
Net earnings	4,164,828	2,266,094	+ 83.8
Earnings per share	2.40	1.30	+ 84.6
Long term debt	946,212	3,039,114	— 68.9
Shareholder's equity	21,472,179	18,029,545	+ 19.1
Shares outstanding — Class A	5,675	5,675	—
— Class B	1,179,610	1,179,610	—
— Common	540,750	540,750	—
Number of Stores	619	588	+ 5.3

Directors' report to the shareholders



We are pleased to present this annual report to you, showing the operating results for our twenty-third year.

Physically there is something noticeably different about this report. The cover, which for the preceding eight years had incorporated our jug milk symbol, has changed.

This is just a small indication of the changes which have taken place and are presently continuing in connection with our identification and image.

When shopping in our Becker Country, you may have noticed our new milk cartons, which incorporate a new design. Our most recently opened stores and some remodelled older ones too are of a different design and layout. Many of the stores are displaying attractive new exterior signs.

Probably the most observable evidence of our identification changes can be seen on the streets and highways of Ontario. Many of our trucks have been newly painted, displaying our new symbols. These have been changes necessary to keep up with the changing times and the changing society and environment we are operating in. Twenty-three years ago we introduced something new and revolutionary to our milk distribution and marketing scene —

the three quart milk jug. We sold this at a low price through our own conveniently located stores. The three quart jug became the effective alternative to the then traditional one quart milk bottle and home delivery service. Home delivery of milk by horse and wagon had been with us for the earlier, slower paced, decades. More recently and over a period of time there had been a transition to motorized home delivery. Then, all of a sudden, the three quart jug was established and it became our symbol and we emerged as Ontario's leader in jug milk.

Once the first more drastic developments in milk distribution had taken place, the pace of change accelerated.

Soon we changed from the heavy glass jug to a light and durable plastic jug. This container is still with us now but it has lost some of its importance when yet another new convenience package, a three quart non-returnable pouch-pack was developed and introduced. This latter change may very well have placed us in an even stronger position as Ontario's leader in jug milk but our own emphasis now has moved from the returnable jug to other containers.

In line with these changes and to more accurately reflect our priorities we have adopted

as one of our new identifying themes the expression "Fresh and Ready Foods." This and the stylized daisy of the Becker country's meadows are the new symbols we have referred to above. A lot of time, effort and expenditure has gone into effecting the changes and also towards again accelerating our expansion. Despite this we were able to complete the year with exceptional operating results and profitability.

In our annual report for 1979 we expressed gratification that after prior periods of declining earnings we had shown some really good results, which we then termed to be approaching normal levels. This time we can look back to a year of new records in every respect except for the number of stores opened.

Sales for the year reached \$173,953,370, showing an increase of 14% from the year before. The improvement in earnings was again at a much better rate. The net earnings for the year, \$4,164,828 were 84% above the 1979 earnings of \$2,266,094. The per share earnings this year are \$2.40, compared to \$1.30 per share in 1979.

We had described our expansion programme in 1979 as "very cautious and moderate." Looking back now to 1978 and 1979 we note net additions to stores of 16 and 8 units respectively. This was a big change and an indication of caution compared to the previous high of a net store addition of 66 units in 1976. It is indeed an indication of renewed confidence and optimism that this last year again a net of 31 stores were added. This has brought our expansion also back to normal levels. In fact the expansion in numbers equals the annual average of our net store additions during the previous ten year period.

A very significant part of the past years expansion was represented by our entry into Windsor area.

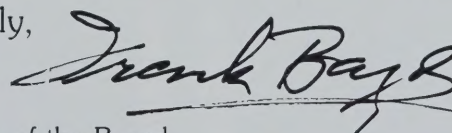
We acquired there a small local chain of stores, Starlite Variety Stores, and the business and milk distribution licence of a milk distributor, Lewis Dairy Limited. The licence obtained in this transaction, for Ontario Milk Marketing area No. 1, completed our licenced coverage of Southern Ontario. Becker Country now extends from the U.S. border to the Province of Quebec and from Lake Ontario to the vacation areas of Muskoka and Parry Sound.

Our financial position is excellent. We paid off the balance of the series C Debentures, very significantly increased our capital expenditures and paid an extraordinary dividend to our shareholders. Despite this we still showed a positive working capital position at the end of the year.

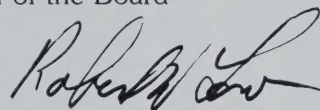
It is of interest that subsequent to the year-end a new agreement was reached with our bankers in respect to debenture financing. This encouraging development has assured us that should the need present itself, a total of \$15,000,000 will be available as an additional finance for our operation or expansion, at favourable terms.

We have started a new year in a spirit of optimism, looking forward to another year of progress and achievement. We will attain this with the support of our loyal employees, associates, suppliers and all the customers who enjoy shopping in Becker country.

Sincerely,



Chairman of the Board

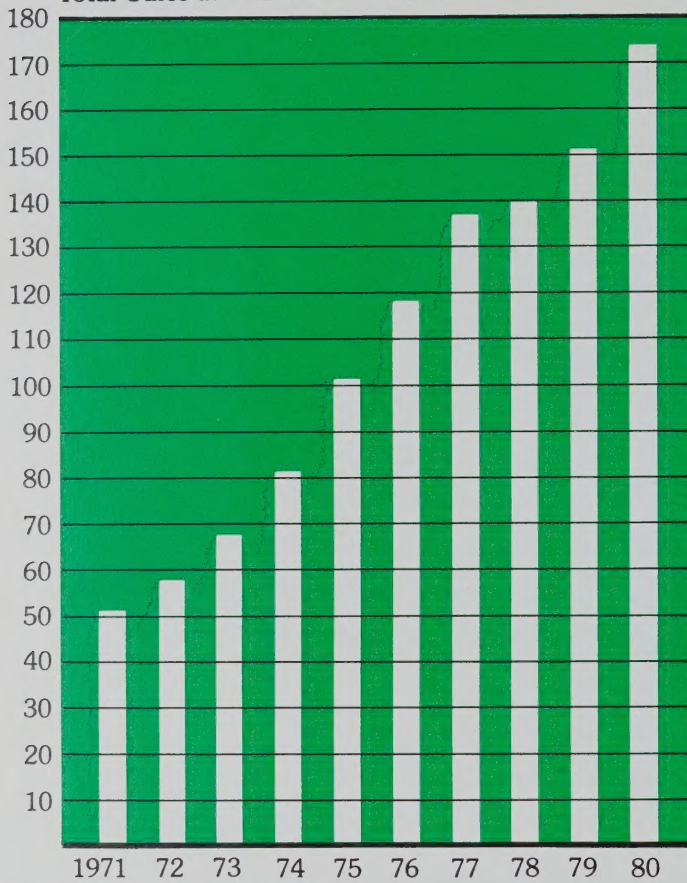


President

July 8, 1980

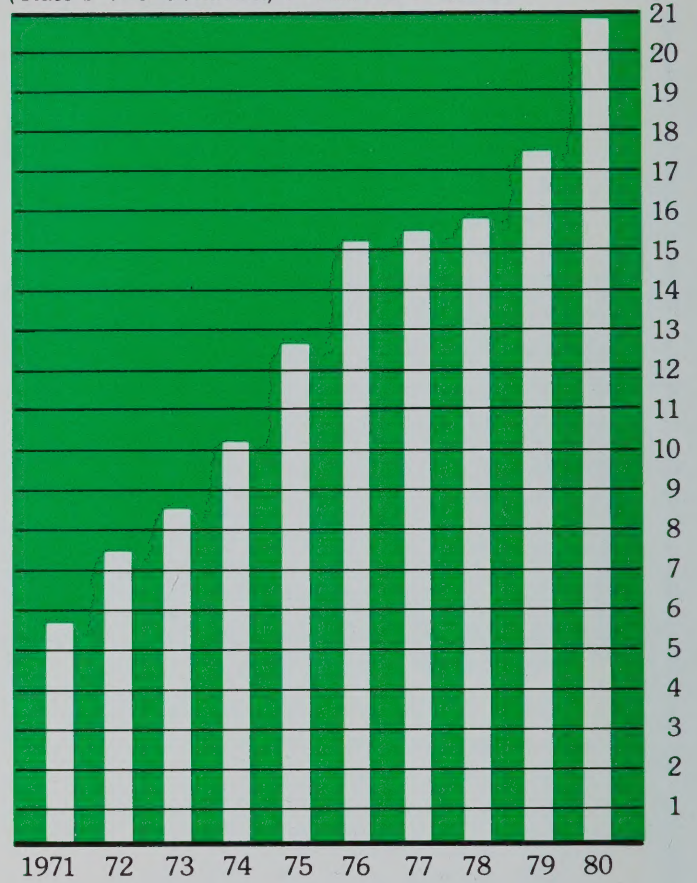
Financial position

Total Sales in Millions of dollars

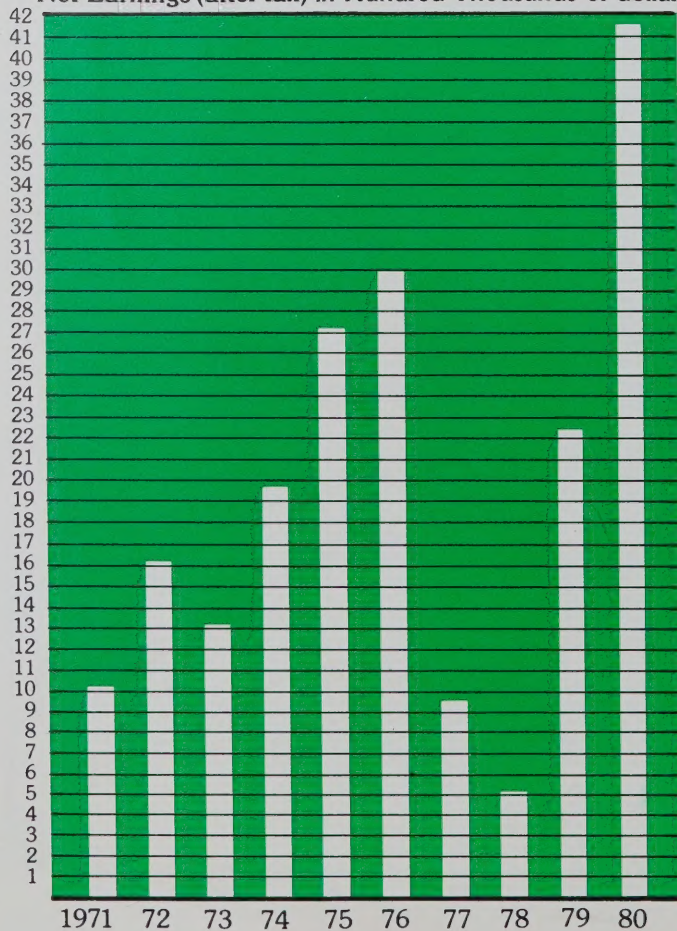


Shareholders' Equity

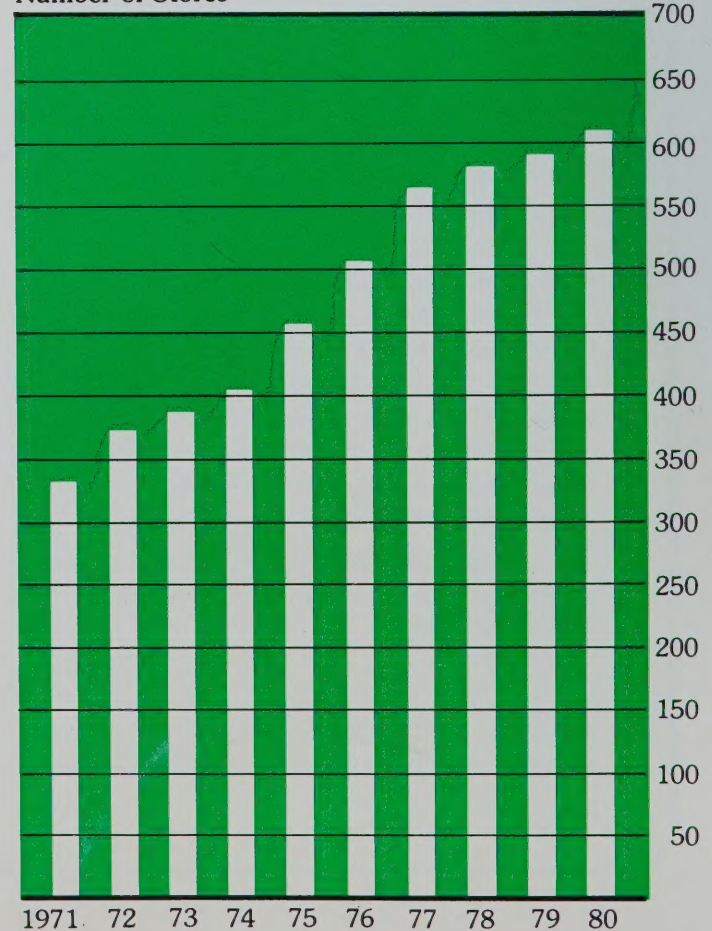
(Class B and Common) in Millions of dollars



Net Earnings (after tax) in Hundred Thousands of dollars



Number of Stores



The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Retained Earnings for the year ended April 30, 1980

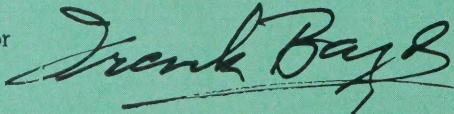
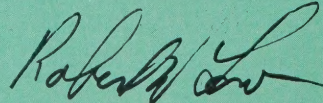
	1980 \$	1979 \$
Balance at beginning of year	16,594,302	14,792,348
Net earnings for the year	4,164,828	2,266,094
	20,759,130	17,058,442
Dividends — class A preference shares	34,050	34,050
— class B preference shares	471,844	294,903
— common shares	216,300	135,187
	722,194	464,140
Balance at end of year	20,036,936	16,594,302

Consolidated Statement of Earnings for the year ended April 30, 1980

	1980 \$	1979 \$
Sales — Note 1	173,953,370	152,885,173
Earnings before depreciation and amortization, interest charges and taxes on income	11,169,922	7,163,250
Depreciation and amortization	2,740,120	2,659,246
Interest charges on long-term debt	386,974	412,910
	3,127,094	3,072,156
Net earnings before taxes on income	8,042,828	4,091,094
Provision for income taxes —		
Current	3,930,525	1,777,000
Deferred	(52,525)	48,000
	3,878,000	1,825,000
Net earnings for the year	4,164,828	2,266,094
Earnings per class B and common shares	2.40	1.30

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet as at April 30, 1980

ASSETS	1980 \$	1979 \$
Current Assets		
Cash	52,640	2,069,168
Marketable securities — at cost	5,073	5,073
Accounts receivable	3,030,859	2,806,419
Inventories — Note 1	11,445,652	9,285,458
Prepaid expenses and deposits	436,924	241,200
Corporation income tax refund due	—	113,723
Mortgages receivable	77,689	28,846
	15,048,837	14,549,887
Investments		
Shares and advances to an affiliated company — at cost	—	48,000
Chattel mortgages receivable	120,705	52,547
Mortgages receivable	95,155	50,421
	215,860	150,968
Less: Principal due within one year	77,689	28,846
	138,171	122,122
Fixed Assets — Note 1		
Assets — at cost	40,143,932	36,839,459
Less: Accumulated depreciation and amortization	17,915,819	15,898,724
	22,228,113	20,940,735
Other Assets		
Rent deposits	12,427	14,627
Progress draws on equipment and building construction	233,201	76,465
Other	739,371	137,976
	984,999	229,068
Approved on behalf of the Board:		
Director 		
Director 		
	38,400,120	35,841,812

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet as at April 30, 1980

LIABILITIES

	1980 \$	1979 \$
Current Liabilities		
Bank indebtedness	2,708,155	—
Accounts payable and accrued charges	10,476,706	9,916,664
Dividends payable — Note 4	473,099	215,045
Deferred franchise income	110,297	84,389
Loan payable — affiliated company	—	2,050,000
Sundry mortgages payable	117,713	600,943
Corporation income taxes payable	261,308	—
	14,147,278	12,867,041
Long-Term Liabilities		
Deferred franchise income — Note 1	401,927	395,155
Series C debentures — Note 2	—	2,600,000
Sundry mortgages payable — Note 3	380,316	709,915
Other	683,609	330,142
	1,465,852	4,035,212
Less: Due with one year	228,010	685,332
	1,237,842	3,349,880
Deferred income taxes — Note 1	1,542,821	1,595,346
	16,927,941	17,812,267

SHAREHOLDERS' EQUITY

Share Capital		
Authorized		
8,000 — 6% cumulative class A preference shares with a par value of \$100 each, redeemable at par		
2,459,250 — non-voting, non-cumulative, participating class B preference shares without par value		
640,750 — common shares without par value		
Issued and Fully Paid —		
5,675 — class A share	567,500	567,500
1,179,610 — class B shares	867,455	867,455
540,750 — common shares	288	288
	1,435,243	1,435,243
Retained earnings — Note 4	20,036,936	16,594,302
	21,472,179	18,029,545
	38,400,120	35,841,812

The accompanying notes are an integral part of the financial statements.

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Changes in Financial Position for the year ended April 30, 1980

	1980 \$	1979 \$
Sources of Working Capital		
Net earnings for the year	4,164,828	2,266,094
Non-cash charges deducted in arriving at earnings, principally depreciation and deferred income taxes	2,620,966	2,650,936
Funds provided from operations	6,785,794	4,917,030
Sale of fixed assets	236,270	232,581
Decrease in other assets	2,200	529,949
	7,024,264	5,679,560
 Applications of Working Capital		
Fixed asset additions and progress draw billings	4,301,706	2,496,056
Increase in investments	16,049	20,231
Dividends	722,194	464,140
Decrease in long-term debt and deferred income	2,112,038	554,415
Purchase of goodwill	653,564	—
	7,805,551	3,534,842
 Increase (decrease) in working capital	(781,287)	2,144,718
Working capital (deficiency) at beginning of year	1,682,846	(461,872)
Working capital at end of year	901,559	1,682,846

The Becker Milk Company Limited and Subsidiary Companies

Notes to Consolidated Financial Statements as at April 30, 1980

1. ACCOUNTING POLICIES

Principles of Consolidation

The accounts of the subsidiary companies have been included in the consolidation from the date of their acquisition.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined for processing and warehousing inventory on a first-in, first-out basis and for retail store inventories on a first-in, first-out basis applied by the retail inventory method.

Inventory values are as follows:

	April 30	
	1980	1979
	\$	\$
Processing and warehousing	841,314	882,887
Store	10,604,338	8,402,571
	11,445,652	9,285,458

Fixed Assets

Fixed assets are valued at cost and are classified as follows: —

	1980	1979
	\$	\$
Land	2,935,796	2,548,657
Buildings and leasehold improvements	12,195,762	10,964,695
Store, production, automotive and office equipment	25,012,374	23,326,107
	40,143,932	36,839,459
Less: Accumulated depreciation and amortization	17,915,819	15,898,724
	22,228,113	20,940,735

Depreciation has been calculated in accordance with the Company's established policy of amortizing the depreciable properties over their estimated useful life, with the exception of trucks and automobiles, which have been depreciated at maximum normal rates permitted by regulation under The Canada Income Tax Act.

The Company has continued to claim maximum allowances for income tax purposes.

Sales

Sales include sales by Company-owned stores and sales by the Company to its franchisees.

Franchise Income

Franchise fees are taken into income over the term of the franchise agreement.

Income Taxes

Income taxes are accounted for on the tax allocation method, whereby income taxes are fully provided on reported earnings at current tax rates. Reported earnings differ from taxable income because of timing differences, principally depreciation and franchise fee income.

2. SERIES C DEBENTURES

The authorized maximum loan from the Company's bankers under these debentures is \$10,800,000. The Company's bankers hold warrants to purchase 8,000 class B shares at \$6.19. The warrants are exercisable on or before January 31, 1982. The debentures are secured by a charge on all assets presently owned and hereafter acquired. Dividends may be paid on any class of shares provided capital and retained earnings exceed \$10,000,000. Subsequent to the year-end the Company's authorized loan from its bankers has been increased to \$15,000,000. This will be secured by a new \$15,000,000 debenture replacing the existing debentures.

3. SUNDRY MORTGAGES PAYABLE

The principal amounts mature up to 1986 with various interest rates not exceeding 12% per annum.

4. DIVIDENDS

On December 10, 1979, the Company declared a dividend of \$6 per share on its class A shares, being the dividend accruing from January 1, 1979 to December 31, 1979. This dividend totalling \$34,050 was paid on January 2, 1980. Dividends totalling 40¢ per share were declared on class B and Common shares during the year.

5. REMUNERATION OF DIRECTORS AND OFFICERS

Expenses include \$795,630 (last year \$390,835) for remuneration of officers and \$9,400 (last year \$9,800) for directors.

6. LEASES

The minimum annual rentals payable (excluding insurance, property taxes and certain other occupancy charges) under the lease obligations for store locations amount to \$4,147,000. The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, amounts to \$18,795,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Langlois Hauck + Company

Chartered Accountants

Toronto, Ontario, June 26, 1980

The Becker Milk Company Limited
TEN YEARS OF
 Year ended

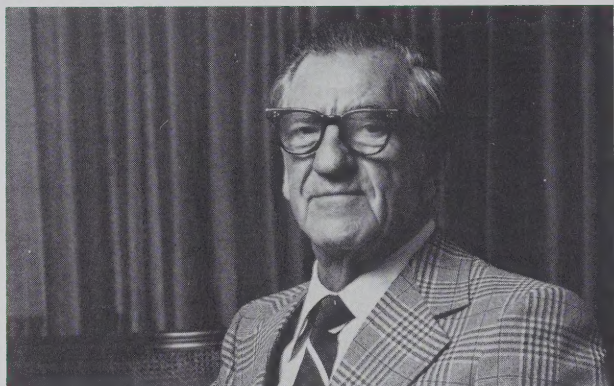
	1980	1979	1978	1977
	\$	\$	\$	\$
Sales	173,953,370	152,885,173	140,039,831	135,876,529
Earnings before depreciation and amortizations, interest and taxes on income	11,169,920	7,163,250	3,676,082	4,466,930
Depreciation and amortization	2,740,120	2,659,246	2,568,973	2,333,974
Interest	386,974	412,910	358,165	251,426
Taxes on income	3,878,000	1,825,000	243,000	891,000
Net earnings	4,164,828	2,266,094	505,944	990,530
Shareholders' equity (Note 1)	20,904,679	17,462,045	15,660,091	15,618,287
Shares outstanding (Note 1)	1,720,360	1,720,360	1,720,360	1,720,360
Net earnings per class B and common share (Note 2)	2.40	1.30	.27	.56
No. of stores (at end of fiscal year)	619	588	580	564
Net fixed asset additions	4,065,436	2,263,475	3,221,729	4,579,681

Notes

1. Combined Class B and Common.
2. Net earnings per share have been adjusted to allow for the current year Class "A" preference dividend. Dividends on Class "A" Shares from January 1, 1980 to April 30, 1980 amounting to \$11,350 have not been declared and/or allowed in computing the shareholders' equity.

1976	1975	1974	1973	1972	1971
\$	\$	\$	\$	\$	\$
117,940,268	100,011,774	82,512,538	76,084,930	68,670,017	56,956,164
7,778,482	7,541,665	5,533,008	3,950,902	4,381,989	3,252,808
1,782,854	1,487,472	1,243,306	1,199,672	1,110,483	958,516
224,515	261,424	223,504	174,032	175,962	195,230
2,758,000	3,017,000	2,061,000	1,212,500	1,484,400	1,111,560
3,013,113	2,775,769	2,005,198	1,364,698	1,611,144	1,075,002
15,091,897	12,542,924	10,188,286	8,475,193	7,316,581	5,901,457
1,720,360	1,720,360	1,720,360	1,720,360	1,720,360	1,719,220
1.73	1.59	1.15	.77	.92	.60
517	451	412	392	374	340
6,240,916	4,225,499	1,750,575	2,324,134	2,178,436	2,167,127

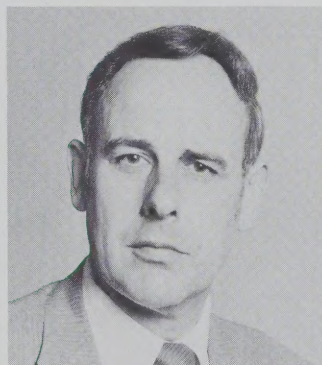
Directors and officers



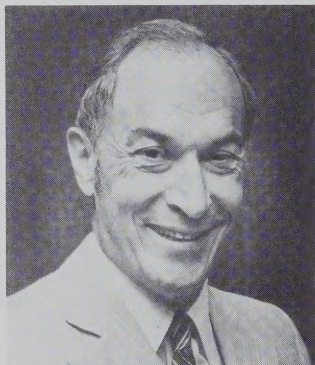
Frank A. Bazos



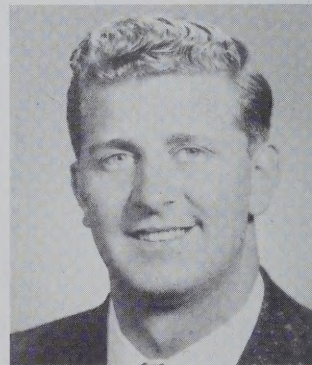
Robert W. Lowe



Geoffrey W. J. Pottow



E. S. Miles



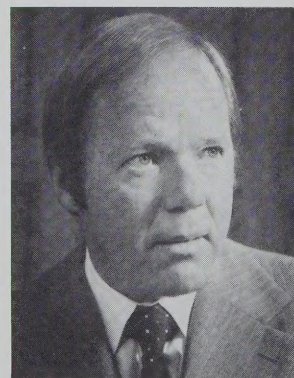
Robert Bazos



George Panos



Arvi Magi



R. S. Paddon



Harold Keene

Board of Directors

Frank A. Bazos
Chairman of the Board
The Becker Milk Company Limited
Robert W. Lowe
President
The Becker Milk Company Limited
Geoffrey W. J. Pottow
Executive Vice-President
The Becker Milk Company Limited
Robert Bazos
President
Perrette Dairy Limited
R. S. Paddon
Queen's Counsel
E. S. Miles
Executive
George Panos
Vice-President
The Becker Milk Company Limited
Arvi Magi
Vice-President and
Secretary Treasurer
The Becker Milk Company Limited

Officers

Frank A. Bazos
Chairman of the Board
Robert W. Lowe
President
Geoffrey W. J. Pottow
Executive Vice-President
Robert Bazos
Vice-President

Arvi Magi
Vice-President and
Secretary Treasurer
George Panos
Vice-President
Harold Keene
Vice-President

**Registrar and
Transfer Agent**
The Royal Trust
Company, Toronto and
Montreal

Auditors
Langlois, Hauck &
Company, Toronto

Solicitors
Aird & Berlis

**Stock Exchange
Listing of Class "B"
Shares**
Toronto Stock Exchange

Head Office
671 Warden Ave.,
Scarborough, Ontario,
Canada

Becker Country

In each area on the map is shown the number of stores open in that area at the end of the 1980 and 1979 fiscal year.

